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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

PERSONALWEB TECHNOLOGIES, LLC
and LEVEL 3 COMMUNICATIONS, INC.,

Plaintiffs,

v.

FACEBOOK, INC.,

Defendant.

Case No. 5:13-CV-01356-EJD

**DEFENDANT FACEBOOK'S
NOTICE OF MOTION AND MOTION
TO STAY PENDING *INTER PARTES*
REVIEW**

DATE: JANUARY 10, 2014

TIME: 9:00 A.M.

**JUDGE: HON. EDWARD J. DAVILA
COURTROOM: 4, 5TH FLOOR**

NOTICE OF MOTION AND MOTION

PLEASE TAKE NOTICE that on January 10, 2014 at 9:00 a.m., or as soon thereafter as may be heard by the Court, Defendant Facebook, Inc. (“Facebook”) will and does respectfully move for a stay of the above captioned action pending final resolution of *inter partes* review (“IPR”) proceedings by the Patent Trial and Appeal Board (“PTAB”) of the Patent and Trademark Office (“PTO”) of U.S. Patent No. 5,978,791, U.S. Patent No. 6,415,280, and U.S. Patent No. 7,802,310 (collectively, “patents-in-suit”), asserted by Plaintiff PersonalWeb Technologies, LLC (“PersonalWeb”) in this action. This Motion is based on this Notice of Motion and Motion, the accompanying Memorandum of Points and Authorities, the Declaration of Reuben H. Chen in Support of this Motion with accompanying exhibits (“Chen Decl.”) and such other evidence and argument as may be presented at or before any hearing on this Motion.

In the event the Court holds oral argument on this Motion, Facebook respectfully requests that the Court hear this Motion in conjunction with similar motions filed in the following related cases, which are currently set for hearing for January 10, 2014:

- Defendants EMC Corporation (“EMC”) and VMware, Inc.’s (“VMware”) Motion to Stay Pending *Inter Partes* Review (ECF No. 8) in *PersonalWeb Technologies, LLC and Level 3 Communications, Inc. v. EMC Corporation and VMware, Inc.*, Case No. 5:13-cv-01358-EJD¹;
- Defendant NetApp, Inc.’s (“NetApp”) Motion to Stay Pending *Ex Parte* Reexamination and *Inter Partes* Review (ECF No. 151) in *PersonalWeb Technologies, LLC and Level 3 Communications, Inc. v. NetApp, Inc.*, Case No. 5:13-cv-01359-EJD.

STATEMENT OF REQUESTED RELIEF

Facebook respectfully requests that the Court stay this action pending the final resolution of IPRs of the patents-in-suit.

¹ Hereafter, citations to the docket in the EMC/VMware case will use the format “1358 Case ECF No.”

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

PersonalWeb has accused Facebook of infringing certain claims of the '791, '280 and '310 patents. All of the asserted claims, however, are currently implicated in *inter partes* review proceedings in which the validity of each claim asserted against Facebook is being challenged. The petitions for *inter partes* review cite new, relevant prior art not previously cited in the initial patent prosecutions, and demonstrate that every asserted claim is invalid. EMC, VMware, and NetApp, defendants in two related cases before the Court, have already moved to stay their proceedings pending IPRs. For many of the same reasons expressed by those parties, a stay of this action is appropriate.

This District has long promoted a liberal policy in favor of staying patent litigation while parallel invalidity proceedings are ongoing in the PTO. The policy, which was developed in the context of patent reexamination proceedings, applies with even greater strength here in the context of IPR. Compared with patent reexamination and even litigation, IPR is a quick procedure. The PTO must grant or deny a petition for IPR within six months, and must generally complete the IPR within one year thereafter. A stay in this case is appropriate under all of the factors courts consider when staying litigation pending PTO proceedings.

II. STATEMENT OF ISSUE TO BE DECIDED

Should this action be stayed, in order to conserve judicial and party resources, pending the final resolution of IPRs of the patents-in-suit?

III. FACTUAL AND PROCEDURAL BACKGROUND

A. PersonalWeb's Lawsuits Against Facebook and Others

On September 17, 2012, PersonalWeb, a patent-assertion entity, filed suit against Facebook in the Eastern District of Texas, alleging infringement of the patents-in-suit. (EDTX ECF No. 1.)² Facebook, along with many of the other defendants in that action, moved to transfer

² ECF citations preceded by "EDTX" are to docket entries in this case filed before Judge Leonard Davis in the Eastern District of Texas (Case No. 6:12-cv-00662-LED) prior to transfer. All other ECF citations are to the docket entries for this case in the Northern District of California.

venue to this District under 28 U.S.C. § 1404(a). On March 21, 2013, Judge Davis conditionally granted Facebook’s motion to transfer, but retained the case pending completion of a *Markman* hearing, and subsequent issuance of that court’s claim construction order. (EDTX ECF No. 45.) On August 5, 2013, Judge Davis issued a claim construction order and transferred the present action to the Northern District of California. (EDTX ECF Nos. 100, 101.)

Discovery is underway in this action but much of the costly discovery has yet to occur. To date only a single deposition (a deposition of Facebook’s document custodian) has occurred, no expert discovery has occurred, and no summary judgment motions have been filed. The Court has set a preliminary pre-trial conference for July 25, 2014. (ECF No. 25.)

B. Overview of IPR Proceedings

The purpose of the America Invents Act (“AIA”) is “to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” H.R. Rep. No. 112-98 (part 1), at 40 (2011). One of the ways Congress sought to streamline the patent system was with a new proceeding called *inter partes* review, which allows expeditious review by the PTO of patents of dubious validity. *Inter partes* review allows a full adversarial challenge—including an oral hearing and even discovery—to the validity of the patents under 35 U.S.C. §§ 102 and/or 103 based on prior art patents and printed publications. 35 U.S.C. §§ 311(b), 316(a); 37 C.F.R. §§ 42.51, 42.53. The statute established the “Patent Trial and Appeal Board,” and each IPR is conducted before a panel of three technically-trained patent judges of the PTAB. 35 U.S.C. §§ 6, 311.

The first step in an *inter partes* review proceeding is for the challenger to file a written petition seeking such review. The patent owner may file a preliminary response within three months. 35 U.S.C. § 313. The PTAB then determines whether to initiate IPR based on whether the petitioner has shown “a reasonable likelihood that the petitioner will prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a). The PTAB must make this decision within six months of the petition. 35 U.S.C. § 314. If IPR is initiated, the PTAB must issue a final determination within one year, which may be extended up to six months for good cause shown. 35 U.S.C. § 316(a)(11).

Given its strict timing requirements, IPR is designed to reduce to 12 months the time the PTO spends reviewing validity, from the previous reexamination average of 36.2 months, 77 Fed. Reg. 48,680, 48,725, 48,721 (Aug. 14, 2012) (codified at 37 C.F.R. §§ 42.100 et seq.); and to “minimize duplication of efforts . . . [through] more coordination between district court litigation and inter partes review” *Id.* at 48,721.

C. The Asserted Patents and the Pending IPRs

The patents-in-suit³ are directed to data storage systems that use “substantially unique identifiers” – based on all the data in a data item and only the data in the data item – to identify and access data items. *See, e.g.*, Chen Decl., Ex. A, ’791 patent, Title, Abstract, and col. 1, ll. 13-18. PersonalWeb has asserted the following claims against Facebook: claims 30-33 and 41 of the ’791 patent, claims 10, 15, 16, 25, 31, and 32 of the ’280 patent, and claims 70, 81, 82, and 86 of the ’310 patent. All of these claims (and several others) are currently the subject of *inter partes* review proceedings:

Patent	Challenged Claims	Date of Filing	Challenger
5,978,791	1-4, 29-33, and 41	December 14, 2012	EMC/VMware
6,415,280	36 and 38	December 14, 2012	EMC/VMware
7,802,310	24, 32, 70, 81, 82, and 86	September 18, 2013	Apple
5,978,791	1-4, 29-33, 35 and 41	October 10, 2013	Rackspace
6,415,280	10, 15, 16, 18, 25, 31-33, 36, and 38	October 10, 2013	Rackspace
7,802,310	1, 2, 5-8, 10-12, 14, 16-19, 24, 29, 32, 70, 81, 82, and 86	October 11, 2013	Rackspace

(*See* 1358 Case ECF No. 8, Exs. 6 and 8 (EMC and VMware’s petitions for *Inter Partes Review*

³ For the convenience of the Court, the patents-in-suit (’791, ’280 and ’310) are attached as Exhibits A-C to the Declaration of Reuben H. Chen in Support of Facebook, Inc.’s Motion and Motion to Stay Pending *Inter Partes Review* (“Chen Decl.”).

1 for the '791 and '280 patents, respectively); Chen Decl., Exs. D-G, Apple's Petition for *Inter*
 2 *Partes* Review of U.S. Patent No. 7,802,310 and Rackpace's Petitions for *Inter Partes* Review.)

3 The PTAB granted the *inter partes* review proceedings filed by EMC and VMware,
 4 IPR2013-00082 and IPR2013-00083, on May 17, 2013 and has scheduled a final hearing for
 5 December 16, 2013. (1358 Case ECF No. 8, Exs. 19 and 20.) The PTAB is therefore required to
 6 issue a final decision on the EMC/VMware IPRs no more than one year later, i.e., by May 17,
 7 2014. *See* 37 C.F.R. § 42.100(c). The PTAB has not yet decided the petitions more recently filed
 8 by Apple, Inc. ("Apple"), IPR2013-00596, and Rackspace US, Inc. and Rackspace Hosting, Inc.
 9 (collectively, "Rackspace"), IPR2014-00057, IPR2014-00059, and IPR2014-00062.

10 **IV. LEGAL STANDARD**

11 Courts in this district have long recognized "a liberal policy in favor of granting motions
 12 to stay proceedings pending the outcome of USPTO reexamination or reissuance proceedings."
 13 *ASCII Corp. v. STD Entm't USA, Inc.*, 844 F. Supp. 1378, 1381 (N.D. Cal. 1994); *see also*
 14 *Convergence Techs. (USA), LLC v. Microloops Corp.*, No. 5:10-cv-02051 EJD, 2012 WL
 15 1232187, at *2 (N.D. Cal. Apr. 12, 2012) (Davila, J.) (same).⁴ Courts have considered three
 16 factors in determining whether to grant a stay pending PTO review of an issued patent: "(1)
 17 whether discovery is complete and whether a trial date has been set; (2) whether a stay will
 18 simplify the issues in question and trial of the case; and (3) whether a stay would unduly
 19 prejudice or present a clear tactical disadvantage to the nonmoving party." *Pragmatus AV, LLC*
 20 *v. Facebook, Inc., et al.*, No. 11-CV-00494-EJD, 2011 WL 4635512, at *2 (N.D. Cal. Oct. 5,
 21 2011) (J. Davila) (internal quotations and citation omitted); *see also Pragmatus AV, LLC v.*
 22 *Facebook, Inc.*, No. 11-CV-02168-EJD, 2011 WL 4802958, at *2 (N.D. Cal. Oct. 11, 2011) (J.
 23 Davila) (same).

24 "Courts need not expend unnecessary judicial resources by attempting to resolve claims
 25 which may be amended, eliminated or lucidly narrowed by the patent reexamination process and

26 ⁴ *Accord Yodlee, Inc. v. Ablaise Ltd.*, No. C-06-07222 SBA, 2009 WL 112857, at *2 (N.D. Cal.
 27 Jan. 16, 2009) (same); *Tse v. Apple Inc.*, No. C 06-06573 SBA, 2007 WL 2904279, at *1 (same)
 28 (N.D. Cal. Oct. 4, 2007); *Photoflex Prods., Inc. v. Circa 3 LLC*, No. C 04-03715 JSW, 2006 WL
 1440363, at *1 (N.D. Cal. May 24, 2006) (same).

the expertise of [PTO] officers.” *Rembrandt Gaming Techs., LP v. Boyd Gaming Corp.*, No. 2:12-cv-00775-MMD-GWF, 2012 WL 6021339, at *1 (D. Nev. Dec. 3, 2012) (internal quotations and citation omitted). Thus, a stay is “particularly justified where the outcome of the reexamination would be likely to assist the court in determining patent validity and, if the claims were canceled in the reexamination, would eliminate the need to try the infringement issue.” *See, e.g., Convergence Techs.*, 2012 WL 1232187, at *1 (quoting from *In re Cygnus Telecomms. Tech., LLC, Patent Litig.*, 385 F. Supp. 2d 1022, 1023 (N.D. Cal. 2005)); *Droplets, Inc. v. Yahoo! Inc.*, Nos. 12-cv-03733-JST, 12-cv-04049-JST, 2013 WL 5116002, at *1 (N.D. Cal. Sept. 13, 2013) (order granting stay pending *inter partes* reexamination and noting that “final determination of the USPTO is quite likely to simplify issues.”).

Although *inter partes* review is a relatively new procedure, district courts within the Ninth Circuit have repeatedly affirmed that the “liberal policy” applies with full force to *inter partes* review proceedings. *See, e.g., Star Envirotech, Inc. v. Redline Detection, LLC*, No. SACV 12-01861-JGB(MLGx), 2013 WL 1716068, at *2 (C.D. Cal. Apr. 3, 2013) (after noting the liberal policy in favor of granting stays adopted by the N.D. Cal. in the *ASCII Corp.* case, the court granted a stay pending petition for *inter partes* review and noted that “the amended standards for granting *inter partes* review probably results in an even higher likelihood than under the prior standard that the issues in the action will be simplified by the reexamination”) (internal quotations and citation omitted); *accord Software Rights Archive, LLC v. Facebook, Inc. et al.*, Nos. C-12-3970 RMW, C-12-3971 RMW, C-12-3972 RMW, 2013 WL 5225522, at *6 (N.D. Cal. Sept. 17, 2013); Chen Decl., Ex. H, *Grobler v. Sony Computer Entm’t Am. LLC*, No. 12-cv-01526-JST, ECF No. 80 at 1 (N.D. Cal. July 29, 2013); *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *4 (C.D. Cal. Dec. 19, 2012).

V. ARGUMENT

All three factors traditionally considered in deciding whether to grant a stay weigh strongly in favor of granting a stay here. Before the Court and the parties expend further resources, the PTO should be allowed to complete its review, which will narrow the issues in these actions and possibly eliminate them altogether.

1 **A. The Stage of This Case Favors a Stay**

2 The first element of the stay analysis focuses “on the stage of litigation proceedings, not
3 the length of time that has passed since the filing of the case.” *Wireless Recognition Tech. v.*
4 *A9.com Inc.*, No. 12-cv-01217-EJD, 2012 WL 4005459, at *2 (N.D. Cal. Sept. 11, 2012) (J.
5 Davila).

6 As discussed above, PersonalWeb filed its case against Facebook in September 2012 and
7 the case was only recently transferred to the Northern District of California in August 2013.
8 Although discovery is underway in this case, many of the most costly stages of the litigation have
9 yet to occur. To date only one factual deposition has occurred, no expert discovery has occurred,
10 and no summary judgment motions have been filed. The Court has set a preliminary pre-trial
11 conference for July 25, 2014 (ECF No. 25), whereas the PTO has scheduled a final hearing for
12 EMC and VMware’s IPRs for December 16, 2013, (1358 Case ECF No. 8, Exs. 19 and 20), and
13 is statutorily required to issue final decisions on the IPRs “not later than 1 year” after the petitions
14 were granted—May 17, 2014.⁵ 37 C.F.R. § 42.100(c). While the petitions filed by Apple and
15 Rackspace have not yet been granted, as the statistics cited below indicate, it is highly likely that
16 review will be granted.

17 Courts have repeatedly stayed cases with similar procedural postures to the one here. In
18 *Convergence Techs.*, 2012 WL 1232187 , for example, this Court found that the case had “not
19 reached the ‘point of no return’ for which a stay would [be] inappropriate,” despite the fact that
20 the case had been pending for more than two years and the parties were engaged in discovery and
21 had already filed claim construction briefs. *Id.* at *4; *see also AT&T Intellectual Prop. I v. Tivo,*
22 *Inc.*, 774 F. Supp. 2d 1049, 1052 (N.D. Cal. 2011) (finding that the stage-of-the-proceedings
23 factor weighed in favor of a stay where the parties had not exchanged expert reports or taken any
24 depositions, but had filed claim construction briefs). Similarly, in *Yodlee, Inc.*, 2009 WL 112857,
25 a stay was granted where a *Markman* hearing had already been held, and a decision on claim
26 construction had already been issued, in a concurrent litigation on the identical patent claims.

27

28 ⁵ The one-year period may be extended for good cause by not more than 6 months, although
“[e]xtensions of the one-year period are anticipated to be rare.” 77 Fed. Reg. at 48,695.

1 *Yodlee*, 2009 WL 112857, at *1-*2, *6-*7. In fact, courts have granted stays even in cases far
 2 more advanced than this one. *See, e.g., Motson v. Franklin Covey Co.*, No. 03-cv-01067 (RBK),
 3 2005 WL 3465664, at *2 (D.N.J. Dec. 16, 2005) (granting stay despite discovery being complete
 4 and summary judgment decided).

5 **B. *Inter Partes* Review Will Simplify The Issues For Trial**

6 The requested IPR proceedings will streamline this litigation and, in fact, may entirely
 7 eliminate it. The IPR petitions involve all of PersonalWeb's asserted patent claims against
 8 Facebook. Even if one or more claims survive, the IPR proceedings will narrow the issues in any
 9 future litigation.

10 Failing to stay this litigation, in fact, may result in an enormous waste of judicial and party
 11 resources. This was illustrated by the Federal Circuit's recent decision in *Fresenius USA, Inc. v.*
 12 *Baxter International Inc.*, 721 F.3d 1330 (Fed. Cir. 2013), which involved a long-running
 13 litigation before Judge Phyllis Hamilton. The *Fresenius* litigation began in 2003 and lasted for
 14 nearly a decade, including a jury verdict of infringement and an earlier appeal to and remand by
 15 the Federal Circuit, before the district court entered judgment in favor of the patent holder in
 16 2012. *Id.* at 1332-35. The patent-in-suit had been found valid by a jury, which was affirmed by
 17 an interim decision from the Federal Circuit. *Id.* That same patent-in-suit, however, was also
 18 involved in a parallel reexamination proceeding resulting in a finding that all asserted claims were
 19 obvious based on the prior art. *Id.* at 1334-35. The district court had been asked during the
 20 reexamination to stay the case in light of the reexamination, but declined to do so. *Id.* at 1335.

21 The Federal Circuit held that the cancellation of the claims in the reexamination precluded
 22 the patent holder's infringement judgment, notwithstanding a jury verdict and an interim appellate
 23 decision finding the asserted patents valid. The Federal Circuit reasoned that the cancellation of
 24 the asserted claims in the reexamination procedure required that the district court proceedings be
 25 vacated because "the reexamination statute restricts a patentee's ability to enforce the patent's
 26 original claims to those claims that survive reexamination in 'identical' form." *Id.* at 1339.

27 The *Fresenius* litigation, in the end, presents a cautionary tale on the potential
 28 consequences of allowing district court litigation to proceed in parallel with PTO proceedings.

1 The result of not staying the litigation in *Fresenius* was nearly a decade of litigation, with untold
2 costs for the parties and expenditure of resources by the Court—all for naught.

3 The outcome of IPRs in the present action could have a similar effect of wiping out, or at
4 a minimum substantially reducing, the scope of this litigation. The IPR proceedings filed by
5 EMC and VMware, for example, have already expanded the intrinsic record for claim
6 construction, as recognized by Judge Davis prior to the transfer of this action. (*See, e.g.*, EDTX
7 ECF No. 100 at 20-21.) The IPR proceedings will likely continue to provide intrinsic evidence
8 that will need to be considered to properly reach the merits of this case. The IPR proceedings will
9 eliminate trial of claims that are canceled, and in the unlikely event any claim survives, facilitate
10 trial of that claim with the Court having the expert view of the PTO. *See Semiconductor Energy*,
11 2012 WL 7170593, at *2.

12 Recent PTO statistics further support a stay. Through August 2013, 87% of petitions for
13 *inter partes* review have been granted.⁶ Additionally, in the prior reexamination context, 42% of
14 reexaminations resulted in claims that are cancelled or disclaimed in their entirety, which if
15 occurred here, as it likely may, would effectively eliminate the need for this litigation.

16 C. A Stay Will Not Unduly Prejudice PersonalWeb

17 PersonalWeb will not be unduly prejudiced by a stay, due to the fast statutory schedule for
18 IPRs and the nature of PersonalWeb’s business and claims. *Semiconductor Energy*, 2012 WL
19 7170593, at *3 (“delay caused by the new [petition for *inter partes* review] procedure is
20 significantly less than the delay caused by the old [reexamination] procedure”). PersonalWeb
21 will not be any more prejudiced by delay than any other plaintiff whose patent infringement claim
22 is stayed pending a petition for *inter partes* review. *See Star Envirotech*, 2013 WL 1716068, at
23 *2 (plaintiff provided no other justification other than it “needs to diligently enforce its patent
24 rights to have a legitimate chance of success in the marketplace”; the court held the “IPR is a
25 procedure that aids in that enforcement of patent rights while streamlining the issues in need of
26 litigation”) (citation omitted). Particularly, given the quick schedule for *inter partes* review, “the
27

28 ⁶ *See* <http://www.alston.com/advisories/inter-partes-review/> (Chen Decl., Ex. I).

mere fact and length of any delay . . . does not demonstrate prejudice sufficient to deny [a] request for a stay.’’ *Semiconductor Energy*, 2012 WL 7170593, at *3 (quoting *Tierravision, Inc. v. Google, Inc.*, No. 11cv2170 DMS(BGS), 2012 WL 559993, at *3 (S.D. Cal. Feb. 21, 2012)).

Moreover, PersonalWeb will not be prejudiced because it has no reasonable basis for seeking anything other than monetary damages. PersonalWeb has not alleged that it competes directly with Facebook nor has it sought a preliminary injunction. Thus, no prejudice will flow to PersonalWeb from a stay. *See, Neste Oil OYJ v. Dynamic Fuels, LLC*, No. 12- 1744-GMS, 2013 WL 3353984, at *5 (D. Del. July 2, 2013) (order granting motion to stay pending *inter partes* and finding no prejudice because patent owner had not sought a preliminary injunction and was not a direct competitor); *Convergence Techs.*, 2012 WL 1232187, at *2-*3 (granting motion to stay, in part, because plaintiff did not practice the asserted patent and was not in direct competition with defendant). Delaying any monetary relief is simply not prejudicial. *See, e.g., Implicit Networks, Inc. v. Advanced Micro Devices, Inc.*, No. C08-184JLR, 2009 WL 357902, at *3 (W.D. Wash. Feb. 9, 2009) (“Courts have consistently found that a patent licensor cannot be prejudiced by a stay because monetary damages provide adequate redress for infringement.”); *Broad. Innovation, LLC v. Charter Commc’ns, Inc.*, Civ. A. No. 03-cv-2223-ABJ-BNB, 2006 U.S. Dist. LEXIS 46623, at *33-34 (D. Colo. July 11, 2006) (“this factor weighs in favor [of] staying the case because monetary relief . . . is fully capable of restoring Plaintiffs to the *status quo ante*”).

VI. CONCLUSION

Because all three factors in determining whether a stay is appropriate weigh in favor of a stay, Facebook respectfully requests the Court stay this action pending final resolution of IPRs of the patents-in-suit.

Dated: November 13, 2013

COOLEY LLP

/s/ Reuben H. Chen

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